



# WEINLANDER FITZHUGH

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& CONSULTANTS

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## TOWNSHIP OF TUSCOLA TUSCOLA COUNTY, MICHIGAN

### FINANCIAL STATEMENTS MARCH 31, 2006

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**RSM McGladrey Network**

An Independently Owned Member

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Tuscola Township	County Tuscola
Fiscal Year End 03-31-06	Opinion Date 05-24-06	Date Audit Report Submitted to State 7-21-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

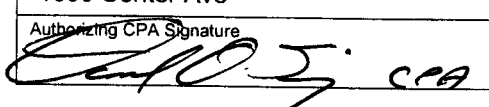
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input type="checkbox"/>	
Other (Describe)	<input type="checkbox"/>	
Certified Public Accountant (Firm Name) Weinlander Fitzhugh		Telephone Number 989-893-5577
Street Address 1600 Center Ave		City Bay City
		State Mi
		Zip 48708
Authorizing CPA Signature 		Printed Name David Quimby
		License Number 1101015265

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## INDEPENDENT AUDITORS' REPORT

May 24, 2006

Township Board  
Township of Tuscola  
Tuscola County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Tuscola, Tuscola County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the index. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Tuscola as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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# WEINLANDER FITZHUGH

Township Board  
Township of Tuscola  
May 24, 2006  
Page 2

The accompanying management's discussion and analysis and budgetary comparison information as noted in the index are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Weinlander Fitzhugh*

Township of Tuscola  
Management's Discussion & Analysis  
For the Year Ended March 31, 2006

Our discussion and analysis of the Township of Tuscola's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2006.

**Financial Highlights**

State shared revenues accounted for \$148,907 or 36% of the Township's total revenues. The General Fund reported an increase in fund balance of \$2,960.

**Using this Annual Financial Report**

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Township of Tuscola financially as a whole. The *government-wide financial statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending.

The fund financial statements look at the Township's operations in more detail than the government-wide financial statements by providing information about the Township's significant funds – the General Fund and all Special Revenue Funds. The statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent or trustee.

The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Budgetary Information for the General Fund, Refuse Fund, Fire Fund and the Ambulance Fund  
(Required Supplemental Information)

Township of Tuscola  
Management's Discussion & Analysis  
For the Year Ended March 31, 2006

**Reporting the Township as a Whole**

*The Statement of Net Assets and Statement of Activities*

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Township's net assets as a way to measure the Township's financial position. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, and facility conditions in arriving at their conclusion regarding the overall health of the Township.

In the Statement of Net Assets and the Statement of Activities, the Township is combined into one kind of activity:

- Governmental activities – Most of the Township's basic services are reported here, including the fire, refuse, ambulance and general administration. Sales taxes (stated shared revenues) and property taxes finance most of these activities.

**Reporting the Township's Most Significant Funds**

*Fund Financial Statements*

The Township's fund financial statements provide detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue.

Township of Tuscola  
Management's Discussion & Analysis  
For the Year Ended March 31, 2006

*Governmental Funds*

Most of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

*Fiduciary Funds*

The Township is the trustee, or fiduciary, for tax collections and (other funds). The Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

**Township-wide Financial Analysis**

**Financial position** - The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net assets as of March 31, 2006 and 2005.



Township of Tuscola  
Management's Discussion & Analysis  
For the Year Ended March 31, 2006

**Exhibit A**

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Current and other assets	\$ 266,564	\$ 260,355
Capital assets - net of accumulated depreciation	<u>322,057</u>	<u>303,006</u>
Total assets	<u>588,621</u>	<u>563,361</u>
<b>Liabilities</b>		
Current liabilities	8,254	11,795
Long-term liabilities	<u>0</u>	<u>0</u>
Total liabilities	<u>8,254</u>	<u>11,795</u>
<b>Net Assets</b>		
Invested in property and equipment - net of related debt	322,057	299,218
Restricted	121,963	118,961
Unrestricted	<u>136,347</u>	<u>133,387</u>
Total net assets	<u>\$ 580,367</u>	<u>\$ 551,566</u>

Exhibit A focuses on net assets. The Township's total net assets were \$580,367 at March 31, 2006. Capital assets net of related debt, totaling \$322,057 compares the original costs, less depreciation of the Township's capital assets to long-term debt used to finance the acquisition of those assets. Restricted net assets of \$121,963 are reported separately to show legal constraints that limit the Township's ability to use those net assets for day-to-day operations.

The \$136,347 of unrestricted net assets of Governmental represents the *accumulated* results of all past years' operations. The operating results of the General and Special Revenue Funds will have a significant impact on the change in unrestricted assets from year to year.

**Results of operations** - The results of this year's operations for the Township as a whole are reported in the statement of activities, which shows the changes in net assets for the year ended March 31, 2006 and 2005. Exhibit B provides a summary of the Township's operations for the year.

Township of Tuscola  
Management's Discussion & Analysis  
For the Year Ended March 31, 2006

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
<b><u>Exhibit B</u></b>		
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 6,163	\$ 5,879
General revenue:		
Taxes	228,943	221,645
State shared revenue	148,907	150,081
Investment earnings	4,454	1,699
Other	<u>21,745</u>	<u>29,203</u>
Total revenue	<u>410,212</u>	<u>408,507</u>
<b>Function/Program Expenses</b>		
General government	129,724	129,076
Public safety	44,197	59,246
Public works	181,482	155,722
Other	21,340	28,766
Recreation and culture	<u>4,668</u>	<u>9,656</u>
Total expenses	<u>381,411</u>	<u>382,466</u>
<b>Increase in Net Assets</b>	<u>\$28,801</u>	<u>\$26,041</u>

Township of Tuscola  
Management's Discussion & Analysis  
For the Year Ended March 31, 2006

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$381,411. Certain activities were partially funded by \$6,163 from those who benefited from the programs. We paid for the remaining "public benefit" portion of our governmental activities with \$228,943 in taxes, \$148,907 in state shared revenue, and with our other revenues, such as interest and miscellaneous revenues.

The Township experienced an increase in net assets of \$28,801, mainly due to actual expenses being less than anticipated. There were no significant revenue increases this year. The increase in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

**The Township's Funds**

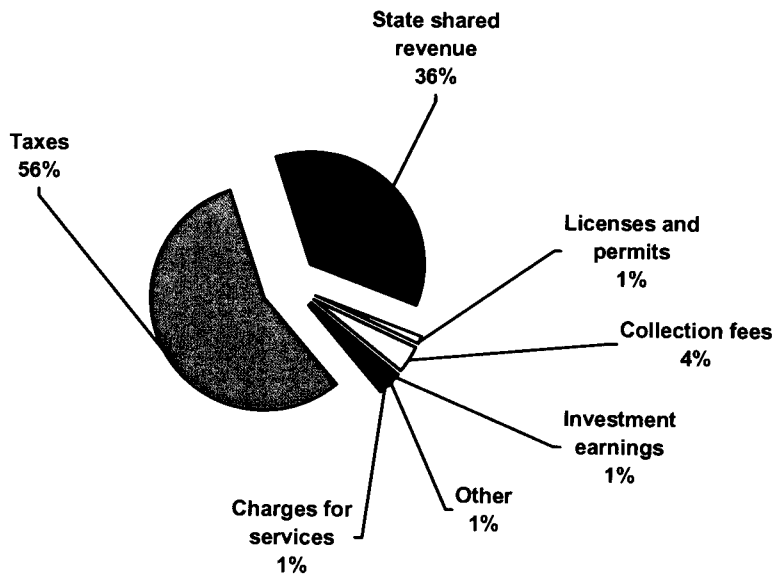
The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

The Township's Governmental funds reported a combined fund balance of \$258,310, which is above last year's total of \$252,348. The schedule below details the fund balance and the total change in fund balances as of March 31, 2006.

	Fund Balance March 31, 2006	Fund Balance March 31, 2005	Increase (Decrease)
General fund	\$ 136,347	\$ 133,387	\$ 2,960
Special Revenue funds	121,963	118,961	3,002
Total	<u>\$ 258,310</u>	<u>\$ 252,348</u>	<u>\$ 5,962</u>

Township of Tuscola  
Management's Discussion & Analysis  
For the Year Ended March 31, 2006

The graph below details the major sources of the Township's total governmental revenues.



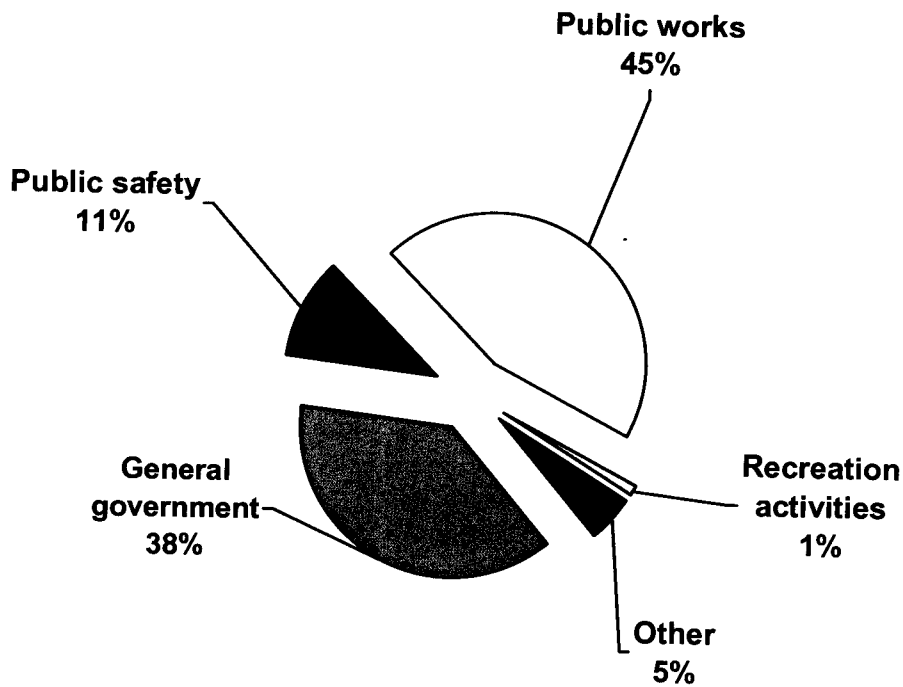
The chart below compares current year revenues with last year.

	2006	2005	Percentage Change
<i>Revenues by Function</i>			
Taxes	\$ 228,943	\$ 221,645	3%
Collection fees	16,602	18,281	-9%
State shared revenue	148,907	150,081	-1%
Charges for services	6,163	5,879	5%
Investment earnings	4,454	1,699	162%
Licenses and permits	240	1,333	-82%
Other	4,903	9,589	-49%
Total	<u>\$ 410,212</u>	<u>\$ 408,507</u>	<u>0.4%</u>

Overall, 2006 revenues were up approximately \$3,000 or 1% mainly due to the increase of tax revenues and investment earnings.

Township of Tuscola  
Management's Discussion & Analysis  
For the Year Ended March 31, 2006

The graph below details the Township's total governmental expenditure categories.



The chart below compares current year expenditures with last year.

<i>Expenditures by Function</i>	2006	2005	Percentage Change
General government	\$ 152,563	\$ 122,884	24%
Public safety	44,197	59,246	-25%
Public works	181,482	155,722	17%
Recreation and cultural	4,668	9,656	-52%
Other	21,340	28,766	-26%
Total	<u>\$ 404,250</u>	<u>\$ 376,274</u>	<u>7%</u>

Township of Tuscola  
Management's Discussion & Analysis  
For the Year Ended March 31, 2006

Expenditures are up approximately \$28,000 or 7% from the prior year mostly due to the acquisition of land north of the township hall. This is vacant land which will be a future parking lot.

**General Fund Budgetary Highlights**

Over the course of the year, the Township revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues and expenditures did not change during 2006.
- Actual revenues were \$8,191 less than anticipated during the fiscal year. This was mainly a result of state revenue sharing being less than budgeted.
- Actual expenditures for the year were \$60,919 less than the budget. This was a result of budgeting for matching grants to purchase additional land north of the township hall. This land was not available at this time so the grant monies were not utilized.

Township of Tuscola  
Management's Discussion & Analysis  
For the Year Ended March 31, 2006

**Capital Assets**

At March 31, 2006, the Township had \$322,057 invested in a broad range of capital assets, including land, buildings, improvements, furniture and fixtures, machinery and equipment and office equipment. This amount represents an increase of \$1,492 from last year.

	Governmental Activities	
	2006	2005
Land	\$ 46,414	\$ 10,164
Buildings and improvements	300,600	300,600
Furniture and fixtures	41,211	41,211
Machinery and equipment	29,855	29,855
Transportation equipment	23,151	23,151
	<hr/>	<hr/>
Total capital assets	441,231	404,981
	<hr/>	<hr/>
Less accumulated depreciation	119,174	84,416
	<hr/>	<hr/>
Net capital assets	<u>\$ 322,057</u>	<u>\$ 320,565</u>

We present more detailed information about our governmental activities capital assets in the notes to the financial statements. We anticipate capital additions next year will be as follows: \$30,000 for upgrade of the newly acquired land north of the township hall for the purpose of an improved parking lot. This will include engineering, drainage and a base this year and next fiscal year would include the paving of such.

Township of Tuscola  
Management's Discussion & Analysis  
For the Year Ended March 31, 2006

**Debt**

At the end of this year, the Township had no long-term debt outstanding.

**Factors Expected to Have an Effect on Future Operations**

We expect to see a decline in state shared revenue next year as the State of Michigan continues to face challenges in balancing its budget. As in prior years, the Township has faced a continued increase in salaries and insurance premiums. The Township is committed to providing the same quality services with an expected decrease in funding.

**Contacting The Township's Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, contact the Township Clerk's Office at Box 12, Tuscola, MI 48769.



TOWNSHIP OF TUSCOLA  
Statement of Net Assets  
March 31, 2006

Governmental  
Activities

Assets

Cash and investments	\$ 249,631
Taxes receivable	16,933
Capital assets - less accumulated depreciation of \$119,174	<u>322,057</u>

Total Assets	<u>588,621</u>
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Liabilities

Accounts payable	<u>8,254</u>
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Total Liabilities	<u>8,254</u>
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Net Assets

Invested in capital assets net of related debt	322,057
Restricted	121,963
Unrestricted	<u>136,347</u>

Total Net Assets	<u><u>\$ 580,367</u></u>
------------------	--------------------------

See accompanying notes to financial statements

TOWNSHIP OF TUSCOLA  
Statement of Activities  
For the Year Ended March 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Governmental Activities</u>
			Net (Expense) Revenue and Changes in Net Assets
Primary government:			
General government	\$ 129,724	\$ 6,163	\$ (123,561)
Public safety	44,197	0	(44,197)
Public works	181,482	0	(181,482)
Other	21,340	0	(21,340)
Recreation and culture	4,668	0	(4,668)
Total primary government	<u>\$ 381,411</u>	<u>\$ 6,163</u>	<u>(375,248)</u>
General Revenues:			
Property taxes			228,943
State shared revenue			148,907
Investment earnings			4,454
Tax administration fee			16,602
Miscellaneous			5,143
Total general revenues			<u>404,049</u>
Change in net assets			28,801
Net assets - beginning of year			551,566
Net assets - end of year			<u>\$ 580,367</u>

See accompanying notes to financial statements

# TOWNSHIP OF TUSCOLA

## Governmental Funds

### Balance Sheet

March 31, 2006

	General Fund	Refuse Fund	Fire Fund	Ambulance Fund	Total
<u>Assets</u>					
Cash and cash equivalents	\$ 132,273	\$ 65,666	\$ 33,808	\$ 17,884	\$ 249,631
Taxes receivable	4,074	9,086	1,823	1,950	16,933
Total Assets	<u>\$ 136,347</u>	<u>\$ 74,752</u>	<u>\$ 35,631</u>	<u>\$ 19,834</u>	<u>\$ 266,564</u>
<u>Liabilities</u>					
Accounts payable	\$ 0	\$ 8,254	\$ 0	\$ 0	\$ 8,254
Total liabilities	<u>0</u>	<u>8,254</u>	<u>0</u>	<u>0</u>	<u>8,254</u>
<u>Fund Balances</u>					
Reserved	0	66,498	35,631	19,834	121,963
Unreserved	136,347	0	0	0	136,347
Total fund balance	<u>136,347</u>	<u>66,498</u>	<u>35,631</u>	<u>19,834</u>	<u>258,310</u>
Total Liabilities and Fund Balance	<u>\$ 136,347</u>	<u>\$ 74,752</u>	<u>\$ 35,631</u>	<u>\$ 19,834</u>	<u>\$ 266,564</u>

See accompanying notes to financial statements

TOWNSHIP OF TUSCOLA  
Reconciliation of Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
March 31, 2006

Total fund balance - governmental funds		\$	258,310
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds:			
Cost of capital assets	\$	441,231	
Accumulated depreciation		<u>(119,174)</u>	<u>322,057</u>
Total net assets - governmental activities			<u>\$ 580,367</u>

See accompanying notes to financial statements

TOWNSHIP OF TUSCOLA  
Governmental Funds  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
For the Year Ended March 31, 2006

	General Fund	Refuse Fund	Fire Fund	Ambulance Fund	Total
<u>Revenues</u>					
State shared revenue	\$ 148,907	\$ 0	\$ 0	\$ 0	\$ 148,907
Property taxes	85,733	99,032	23,503	20,675	228,943
Licenses and permits	240	0	0	0	240
Tax administration fee	16,602	0	0	0	16,602
Sale of cemetery lots	6,163	0	0	0	6,163
Interest	2,979	608	454	413	4,454
Other revenue	4,903	0	0	0	4,903
Total revenues	265,527	99,640	23,957	21,088	410,212
<u>Expenditures</u>					
Current:					
General government	152,563	0	0	0	152,563
Public safety	368	0	26,613	17,216	44,197
Public works	83,628	97,854	0	0	181,482
Recreation and cultural	4,668	0	0	0	4,668
Other	21,340	0	0	0	21,340
Total expenditures	262,567	97,854	26,613	17,216	404,250
Excess (deficiency) of revenues over expenditures	2,960	1,786	(2,656)	3,872	5,962
Fund balance - beginning of year	133,387	64,712	38,287	15,962	252,348
Fund balance - end of year	\$ 136,347	\$ 66,498	\$ 35,631	\$ 19,834	\$ 258,310

See accompanying notes to financial statements

TOWNSHIP OF TUSCOLA  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance of Governmental Funds to the Statement of Activities  
For the Year Ended March 31, 2006

Net change in fund balance - total governmental funds \$ 5,962

Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlays as expenditures;  
in the statement of activities, these costs are allocated  
over their estimated useful lives as depreciation

Depreciation expense	(17,199)
Capital outlay	36,250

Long term liabilities are not due and payable in the current  
period and are not reported in the funds:

Lease payments	<u>3,788</u>
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Change in net assets of governmental activities	<u><u>\$ 28,801</u></u>
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See accompanying notes to financial statements

TOWNSHIP OF TUSCOLA  
Fiduciary Fund  
Statement of Net Assets  
March 31, 2006

	<u>Current Tax Fund</u>
<u>Assets</u>	
Cash and cash equivalents	<u>\$ 8,937</u>
<u>Liabilities</u>	
Due to other governmental units	<u>\$ 8,937</u>
Total liabilities	<u>\$ 8,937</u>

See accompanying notes to financial statements.

Township of Tuscola  
Notes to Financial Statements  
For the Year Ended March 31, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Township of Tuscola conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Tuscola:

**Reporting Entity**

The Township of Tuscola is governed by an elected board and provides such services as public safety, highways and streets, and sanitation to approximately 2,200 residents. The accompanying financial statements present the financial position and results of operations for the Township.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



Township of Tuscola  
Notes to Financial Statements  
For the Year Ended March 31, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be available only when cash is received by the Township.

The Township reports the following major governmental funds:

**General Fund** - The General Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

**Refuse Fund** – The Garbage and Rubbish Collection Fund is used to record transactions relative to the collection and disposal of garbage and rubbish.

**Fire Fund** – The Fire Fund is used to record transactions relative to the fire services provided to the Township.

**Ambulance Fund** – The Ambulance Fund is used to record transactions relative to the ambulance services provided to the Township.

Township of Tuscola  
Notes to Financial Statements  
For the Year Ended March 31, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Assets or Equity**

Cash and Investments – Cash and investments are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as “internal balances”.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include land, buildings, equipment and infrastructure assets are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Land, building, equipment and infrastructure are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	40 Years
Furniture and fixtures	5 to 7 Years
Machinery and equipment	5 to 7 Years
Office equipment	5 to 7 Years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period.

Township of Tuscola  
Notes to Financial Statements  
For the Year Ended March 31, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 – BUDGETS**

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

The Township of Tuscola follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Township's supervisor submits to the Board a proposed budget prior to April 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund, Refuse Fund, Fire Fund and Ambulance Fund are presented as Required Supplemental Information.

Township of Tuscola  
Notes to Financial Statements  
For the Year Ended March 31, 2006

**NOTE 2 – BUDGETS (CONTINUED)**

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the Township of Tuscola incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Fund/Function</u>	<u>Total Appropriation</u>	<u>Amount of Expenditure</u>	<u>Budget Variance</u>
Fire Fund:			
Public safety	\$20,673	\$26,613	\$5,940
Refuse Fund:			
Public works	93,920	97,854	3,934

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

Governmental activities	\$ 249,631
Fiduciary funds	<u>8,937</u>
Total	<u><u>\$ 258,568</u></u>

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings accounts, certificates of deposit)	<u><u>\$ 258,568</u></u>
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Township of Tuscola  
Notes to Financial Statements  
For the Year Ended March 31, 2006

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2006, \$146,743 of the Township's bank balance of \$246,743 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township's investment policy does not identify interest rate risk, foreign currency risk or concentration of credit risk.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity of the Township for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
<b><u>Governmental activities</u></b>				
Capital assets not being depreciated:				
Land	\$ 10,164	\$ 36,250	\$ 0	\$ 46,414
Capital assets being depreciated:				
Buildings and improvements	300,600	0	0	300,600
Furniture and fixtures	41,211	0	0	41,211
Machinery and equipment	29,855	0	0	29,855
Office equipment	23,151	0	0	23,151
Subtotal	<u>394,817</u>	<u>0</u>	<u>0</u>	<u>394,817</u>
Less accumulated depreciation for:				
Buildings and improvements	39,151	6,978	0	46,129
Furniture and fixtures	18,715	6,238	0	24,953
Machinery and equipment	23,274	2,367	0	25,641
Office equipment	20,835	1,616	0	22,451
Subtotal	<u>101,975</u>	<u>17,199</u>	<u>0</u>	<u>119,174</u>
Net capital assets being depreciated	<u>292,842</u>	<u>(17,199)</u>	<u>0</u>	<u>275,643</u>
Governmental activities, total capital assets - net of depreciation	<u>\$ 303,006</u>	<u>\$ 19,051</u>	<u>\$ 0</u>	<u>\$ 322,057</u>

Township of Tuscola  
Notes to Financial Statements  
For the Year Ended March 31, 2006

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	<u>\$ 17,199</u>
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**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

There were no inter-fund receivable or payable balances at March 31, 2006, nor any transfers made during the year ended March 31, 2006.

TOWNSHIP OF TUSCOLA  
Required Supplemental Information  
Budgetary Comparison Schedule - General Fund  
For the Year Ended March 31, 2006

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
State shared revenue	\$ 180,000	\$ 180,000	\$ 148,907	\$ (31,093)
Property taxes	74,500	74,500	85,733	11,233
Licenses and permits	500	500	240	(260)
Tax administration fee	12,000	12,000	16,602	4,602
Sale of cemetery lots	300	300	6,163	5,863
Other revenue	6,118	6,118	4,903	(1,215)
Interest	300	300	2,979	2,679
Total revenues	<u>273,718</u>	<u>273,718</u>	<u>265,527</u>	<u>(8,191)</u>
<u>Expenditures</u>				
General government	133,238	133,873	116,313	17,560
Public safety	1,080	1,080	368	712
Public works	94,000	88,999	83,628	5,371
Recreation and cultural	7,000	7,000	4,668	2,332
Other	53,168	51,283	21,340	29,943
Capital outlay	35,000	41,251	36,250	5,001
Total expenditures	<u>323,486</u>	<u>323,486</u>	<u>262,567</u>	<u>60,919</u>
Excess (deficiency) of revenues over expenditures	(49,768)	(49,768)	2,960	52,728
Fund balance - beginning of year	<u>133,387</u>	<u>133,387</u>	<u>133,387</u>	<u>0</u>
Fund balance - end of year	<u>\$ 83,619</u>	<u>\$ 83,619</u>	<u>\$ 136,347</u>	<u>\$ 52,728</u>

TOWNSHIP OF TUSCOLA  
Required Supplemental Information  
Budgetary Comparison Schedule - Refuse Fund  
For the Year Ended March 31, 2006

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Property taxes	\$ 95,280	\$ 95,280	\$ 99,032	\$ 3,752
Interest	0	0	608	608
Total revenues	95,280	95,280	99,640	4,360
<u>Expenditures</u>				
Public works	93,920	93,920	97,854	(3,934)
Total expenditures	93,920	93,920	97,854	(3,934)
Excess of revenues over expenditures	1,360	1,360	1,786	426
Fund balance - beginning of year	64,712	64,712	64,712	0
Fund balance - end of year	<u>\$ 66,072</u>	<u>\$ 66,072</u>	<u>\$ 66,498</u>	<u>\$ 426</u>



TOWNSHIP OF TUSCOLA  
Required Supplemental Information  
Budgetary Comparison Schedule - Fire Fund  
For the Year Ended March 31, 2006

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Property taxes	\$ 22,682	\$ 22,682	\$ 23,503	\$ 821
Interest	0	0	454	454
Total revenues	22,682	22,682	23,957	1,275
<u>Expenditures</u>				
Public safety	20,673	20,673	26,613	(5,940)
Total expenditures	20,673	20,673	26,613	(5,940)
Excess (deficiency) of revenues over expenditures	2,009	2,009	(2,656)	(4,665)
Fund balance - beginning of year	38,287	38,287	38,287	0
Fund balance - end of year	<u>\$ 40,296</u>	<u>\$ 40,296</u>	<u>\$ 35,631</u>	<u>\$ (4,665)</u>

TOWNSHIP OF TUSCOLA  
Required Supplemental Information  
Budgetary Comparison Schedule - Ambulance Fund  
For the Year Ended March 31, 2006

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Property taxes	\$ 17,216	\$ 17,216	\$ 20,675	\$ 3,459
Interest	<u>0</u>	<u>0</u>	<u>413</u>	<u>413</u>
Total revenues	<u>17,216</u>	<u>17,216</u>	<u>21,088</u>	<u>3,872</u>
<u>Expenditures</u>				
Public safety	<u>17,216</u>	<u>17,216</u>	<u>17,216</u>	<u>0</u>
Total expenditures	<u>17,216</u>	<u>17,216</u>	<u>17,216</u>	<u>0</u>
Excess of revenues over expenditures	0	0	3,872	3,872
Fund balance - beginning of year	<u>15,962</u>	<u>15,962</u>	<u>15,962</u>	<u>0</u>
Fund balance - end of year	<u>\$ 15,962</u>	<u>\$ 15,962</u>	<u>\$ 19,834</u>	<u>\$ 3,872</u>